

Message Text

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42

ACTION ARA-20

INFO OCT-01 ISO-00 DRC-01 EB-11 COME-00 INT-08 TRSE-00

SCEM-02 SCI-06 SS-20 NSC-10 CIAE-00 DODE-00 INR-10

NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03 /113 W

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R 231511Z NOV 73

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 5586

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

LIMITED OFFICIAL USE MONTEVIDEO 3437

E.O. 11652: N/A

TAGS: ENRG, UY

SUBJ: URUGUAYAN PETROLEUM PROSPECTS

BEGIN UNCLASSIFIED

1. ACCORDING TO NEWSPAPER REPORTS THAT GOU WILL ISSUE A CALL FOR BIDS BEFORE THE END OF THE YEAR TO DRILL FOR OIL IN ITS CONTINENTAL SHELF. THE CALL WILL BE BASED ON FEASIBILITY STUDIES WHICH WERE CARRIED OUT IN 1971 BY COMPANIA GEOFISICA FRANCESA AND INSTITUTIO FRANCES DEL PETROLEO.

2. THE GOU PLANS TO USE THE "PERUVIAN SYSTEM", BY WHICH THE COMPANY OR COMPANIES AWARDED THE BID WOULD ASSUME ALL EXPLORATION COSTS IF PETROLEUM IS NOT FOUND OR IF IT IS FOUND IN QUANTITIES TOO SMALL FOR COMMERCIAL EXPLOITATION. IF PETROLEUM IS FOUND, THE DRILLING COMPANY WOULD RECEIVE EITHER A SET FEE OR A PERCENTAGE OF THE EVENTUAL PRODUCTION.

3. WITH THE PROBLEM OF DEFINING THE LIMITS OF THE RIVER PLATE BETWEEN URUGUAY AND ARGENTINA SETTLED BY A TREATY SIGNED NOVEMBER 19 (MVD 3426), THE ONLY REMAINING OBSTACLE TO BEGINNING DRILLING IS PROMULGATION OF A LEY DE HIDROCARBUROS

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(HYDROCARBONS LAW). SUCH A LAW WAS BEING CONSIDERED BY

CONGRESS BEFORE IT WAS DISSOLVED LAST JUNE. THE NEW COUNCIL OF STATE (WHENEVER IT MIGHT BE CREATED) WOULD HAVE TO APPROVE A LAW WHICH WOULD DEFINE THE RIGHTS AND RESPONSIBILITIES OF THE GOU AND THE DRILLING COMPANY BEFORE A COMPANY WOULD BEGIN WORK.

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4. COMMENT: THE GOU MAY ENCOUNTER DIFFICULTIES IN FINDING A COMPANY WILLING TO UNDERTAKE THIS OPERATION. TRADE SOURCES INDICATE THAT PLATFORM DRILLING RIGS ARE IN SHORT SUPPLY DUE TO INCREASED INTEREST IN OFFSHORE DRILLING CREATED BY CURRENT WORLD OIL SITUATION. GOU MAY HAVE TO PROVIDE VERY GOOD TERMS TO INDUCE A COMPANY TO RISK DRILLING IN THIS AREA, SINCE POSSIBILITIES HERE ARE LESS WELL KNOWN THAN ALTERNATIVE CONTINENTAL SHELF AREAS. SIRACUSA

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30 JUN 2005

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